

THE TRUST FOR CULTURAL RESOURCES
OF THE CITY OF NEW YORK

MINUTES OF MEETING
OF THE AUDIT COMMITTEE

March 27, 2018

A meeting of the Audit Committee of The Trust for Cultural Resources of The City of New York (the "Trust") was held on March 27, 2018 at 10:00 a.m. at the offices of Orrick, Herrington & Sutcliffe, LLP, 51 West 52nd Street, New York, New York.

Ms. Lynne B. Sagalyn, Ms. Erika Mallin and Ms. Dawanna Williams attended the meeting. Leah C. Johnson was excused. Ms. Sagalyn, Chair of the Audit Committee, presided.

In addition, the following persons were also present:

Jen Katz	RSM US LLP
Melissa Quinn	RSM US LLP
Fred D'Ascoli	New York City Economic Development Corporation
Rafaat Osman	New York City Economic Development Corporation
Carol Ann Butler	New York City Economic Development Corporation
David Price	New York City Economic Development Corporation
B. Seth Bryant	Bryant Rabbino LLP
Anne Adams Rabbino	Assistant Secretary of the Board of Trustees

The meeting was called to order at 10:00 a.m. by Ms. Sagalyn.

Mr. D'Ascoli presented a general over-view of the financial position of the Trust. He noted that most of the debt issued by the Trust is conduit debt that does not appear in the Trust's financial statements but is reported in the notes to the financial statements in accordance with generally accepted government auditing standards. The only debt of the Trust that is reported in the financial statements is the debt that the Trust pays with a portion of the tax equivalency payments, or TEPs, collected by the Trust from the owners of condominium units in the Museum Tower, which is part of the "combined-use facility" developed by the Trust and which included an expansion of The Museum of Modern Art ("MoMA") on the floors beneath the Museum Tower. TEPs are calculated the same way that real estate taxes are calculated. With the exception of the general and administrative operating expenses shown on the Statements of Revenues, Expenses and Changes in Net Position (Deficit), all of the assets, liabilities, revenues and expenses of the Trust pertain to MoMA and the "combined-use facility". The Trust's bonds that are supported by TEPs are in the process of being fully amortized. On December 31, 2017, the outstanding principal balance was \$22,975,000, and the final payment on those bonds is due in 2023.

The Committee discussed the amount of TEPs currently being collected, which is

approximately \$7 million annually, as well as the obligation to MoMA described in the financial statements, which was created when the amount of TEPs collected was insufficient to pay debt service on prior issues of TEPs bonds. The amount owed to MoMA as of December 31, 2017 was \$175,112,080, which includes accumulated interest as well as principal. Notes 3 and 9 to the financial statements provide details concerning the amount of interest accrued and payments made to MoMA during 2016 and 2017 on account of this obligation. The Trust's obligation to make payments to MoMA is limited to the amount of TEPs available after payment of administrative costs of the Trust, all amounts due on the publicly-held TEPs bonds issued by the Trust, and payments in lieu of property taxes owed to the City of New York. To the extent that TEPs are not sufficient to retire the obligation owed to MoMA prior to the maturity of the amounts owed to MoMA, the Trust's obligation to MoMA will be extinguished.

Mr. D'Ascoli referred to the Total Net Deficit of \$184,232,325 as of December 31, 2017. This amount has decreased from \$185,441,574 as of December 31, 2016 due to the payment of principal on the TEPs bonds, even though the payment made to MoMA in 2017 was less than the amount of interest that accrued in 2017.

Ms. Sagalyn remarked that the agreements that enabled the Trust to develop the combined-use facility for MoMA were very complicated, which is inherent in developments of this type, but she suggested that if the Trust were to undertake a similar project in the future, other possible structures should be examined.

Ms. Katz addressed the financial review carried out by RSM. She stated that all opinions given by RSM are un-qualified opinions. The report on internal controls identified no matters of concern. The review of the financial statements prepared by the New York City Economic Development Corporation ("EDC") was an orderly review, with no significant issues or concerns. The Reports on Compliance with Contractual Provisions of Debt Agreements are all un-qualified. The Agreed Upon Procedures are attestation reports, not audits, which confirm the cash amounts held; no opinions are given about these reports.

Ms. Katz referred to the Report to the Audit Committee, which states that the planned scope of the audit was implemented, there were no unusual transactions, and no significant estimates. She informed the Committee that there had been no disagreements with management and that the records maintained by EDC are good records. She referred to the management representation letter that will be signed by the staff of EDC.

Mr. Price reported on the Internal Controls Report as of December 31, 2017, prepared by the Internal Audit Department of EDC. He explained the internal audit examines the environment in which the financial reports are created to determine whether there are any inadequacies in the controls. The primary objective of the Internal Audit Department is to determine whether the Trust's assets are safeguarded against inappropriate or unauthorized use and whether EDC's operating processes provide reasonable assurance that financial reporting is reliable. The Internal Audit Department identified ten key controls and examined the processes utilized pertaining to those controls. All of the processes and controls were found to be effective.

The Internal Audit Department also found that sound practices are observed, that a proper control environment is maintained, and that the processes and controls comply with the applicable statutory requirements of the Public Authorities Law.

The staff of EDC was excused from the meeting for a private discussion with RSM. Ms. Katz reported that the staff of EDC is very cooperative and that the staffing levels are appropriate for the work to be performed. She confirmed that RSM has no concerns to bring to the attention of the Audit Committee.

The following resolutions was then made, seconded and unanimously adopted:

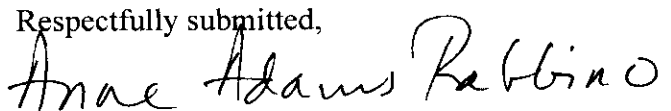
RESOLVED, that the Audit Committee of the Trust hereby approves the Independent Auditors' Report on the Trust's Basic Financial Statements for the years ended December 31, 2017 and 2016 prepared by RSM US LLP, and recommends the approval thereof by the Board of Trustees of the Trust; and be it further

RESOLVED, that the Audit Committee of the Trust hereby approves the Reports on Compliance with Contractual Provisions of Debt Agreements for the year ended December 31, 2017, prepared by RSM US LLP and recommends the approval thereof by the Board of Trustees of the Trust; and be it further

RESOLVED, that the Audit Committee of the Trust hereby approves the Agreed-Upon Procedures for the year ended December 31, 2017, prepared by RSM US LLP and recommends the approval thereof by the Board of Trustees of the Trust; and be it further

RESOLVED, that the Audit Committee of the Trust hereby accepts the Internal Audit Report as of March 5, 2018, prepared by the Internal Audit Department of the New York City Economic Development Corporation and recommends the acceptance thereof by the Board of Trustees of the Trust.

There being no further business to come before the meeting, the meeting was adjourned at 10:35 a.m.

Respectfully submitted,

Anne Adams Rabbino
Assistant Secretary